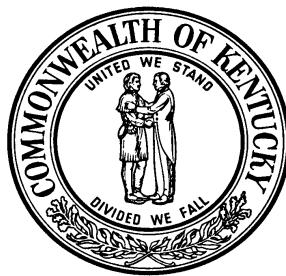


**REPORT OF THE AUDIT OF THE
LOGAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2010**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Logan Chick, Logan County Judge/Executive
Members of the Logan County Fiscal Court

The enclosed report prepared by Kem, Duguid & Associates, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements.

We engaged Kem, Duguid & Associates, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Kem, Duguid & Associates, PSC evaluated the Logan County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LOGAN COUNTY FISCAL COURT

June 30, 2010

Kem, Duguid & Associates, PSC has completed the audit of the Logan County Fiscal Court for fiscal year ended June 30, 2010. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Financial Condition:

The Fiscal Court had total net assets of \$15,093,233 as of June 30, 2010. In its governmental activities, the Fiscal Court had unrestricted net assets of \$5,600,789 as of June 30, 2010, with total net assets of \$15,075,133. In its business-type activities, total net cash and cash equivalents were \$13,436 with total net assets of \$18,100. Total debt principal as of June 30, 2010, was \$17,480,000 with \$770,000 due within the next year.

Deposits:

As of June 30, 2010, the fiscal court's deposits were insured and collateralized by bank securities.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
LOGAN COUNTY OFFICIALS.....	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	35
STATEMENT OF FIDUCIARY NET ASSETS	39
NOTES TO FINANCIAL STATEMENTS.....	41
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS	57
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	61
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	64
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	68
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	73
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Logan Chick, Logan County Judge/Executive
Members of the Logan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Logan County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Logan County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

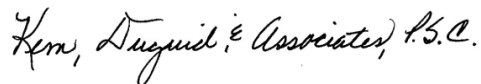
The County has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Logan Chick, Logan County Judge/Executive
Members of the Logan County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Logan County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2011 on our consideration of Logan County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,



Kem, Duguid & Associates, PSC
Certified Public Accountants

February 23, 2011

LOGAN COUNTY OFFICIALS

For The Year Ended June 30, 2010

Fiscal Court Members:

Logan Chick	County Judge/Executive
Harold Prince	Magistrate
Curtis Watkins	Magistrate
Kerry Kenady	Magistrate
Dixie Carter	Magistrate
Loyd Houchens	Magistrate
Jo Orange	Magistrate
Thomas Bouldin	Magistrate

Other Elected Officials:

Thomas A. Noe, III	County Attorney
William Jenkins	Jailer
Scottie Harper	County Clerk
Sherry Wilkins	Circuit Court Clerk
Wallace Whittaker	Sheriff
Ben Brown	Property Valuation Administrator
Mary Givens	Coroner

Appointed Personnel:

Elaine Jenkins	County Treasurer
Karen Taylor	Finance Officer
Brenda Morrison	Personnel/Payroll Officer
Paul Lyne	Road Supervisor
Sue Carol Marshall	Occupational Tax Administrator

THIS PAGE LEFT BLANK INTENTIONALLY

LOGAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

LOGAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 7,136,139	\$ 13,436	\$ 7,149,575
Investments	335,757		335,757
Total Current Assets	7,471,896	13,436	7,485,332
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	2,000,268		2,000,268
Construction In Progress	11,452,389		11,452,389
Land Improvements	4,377		4,377
Buildings	4,319,238		4,319,238
Vehicles	501,481	400	501,881
Equipment	947,087	4,264	951,351
Infrastructure	5,858,397		5,858,397
Total Noncurrent Assets	25,083,237	4,664	25,087,901
Total Assets	32,555,133	18,100	32,573,233
LIABILITIES			
Current Liabilities:			
Bonds Payable	770,000		770,000
Total Current Liabilities	770,000		770,000
Noncurrent Liabilities:			
Bonds Payable	16,710,000		16,710,000
Total Noncurrent Liabilities	16,710,000		16,710,000
Total Liabilities	17,480,000		17,480,000
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	9,129,911	4,664	9,134,575
Restricted For:			
Debt Service	344,133		344,133
Unrestricted	7,127,763	13,436	7,141,199
Total Net assets	\$ 15,075,133	\$ 18,100	\$ 15,093,233

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LOGAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

LOGAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 4,525,349	\$	\$ 2,687,089	\$
Protection to Persons and Property	2,414,939	19,388		
General Health and Sanitation	452,955			
Social Services	15,900			
Recreation and Culture	64,037			
Roads	1,373,487		193,644	1,499,520
Airports	17,500			
Debt Service	772,721			
Capital Projects	2,000			
Total Governmental Activities	9,638,888	19,388	2,880,733	1,499,520
Business-type Activities:				
Jail Canteen	64,440	62,634		
Total Business-type Activities	64,440	62,634		
Total Primary Government	\$ 9,703,328	\$ 82,022	\$ 2,880,733	\$ 1,499,520

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational/Net Profit Taxes
Other Taxes
In-Lieu of Tax
Excess Fees
License and Permits
Miscellaneous Revenues
Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,838,260)	\$	\$ (1,838,260)
(2,395,551)		(2,395,551)
(452,955)		(452,955)
(15,900)		(15,900)
(64,037)		(64,037)
319,677		319,677
(17,500)		(17,500)
(772,721)		(772,721)
(2,000)		(2,000)
(5,239,247)		(5,239,247)
	(1,806)	(1,806)
	(1,806)	(1,806)
\$ (5,239,247)	\$ (1,806)	\$ (5,241,053)
1,136,869		1,136,869
251,530		251,530
149,768		149,768
2,616,133		2,616,133
660,300		660,300
317,835		317,835
1,177,018		1,177,018
278,819		278,819
269,326	1,258	270,584
48,884		48,884
6,906,482	1,258	6,907,740
1,667,235	(548)	1,666,687
13,407,898	18,648	13,426,546
\$ 15,075,133	\$ 18,100	\$ 15,093,233

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LOGAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

LOGAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

	General Fund	Road And Bridge Fund	Public Properties Corporation Fund- Detention Center	Occupational Tax/Net Profits Tax Fund	Hospital Special Reserve Fund
ASSETS					
Cash and Cash Equivalents	\$ 866,641	\$ 146,446	\$ 8,376	\$ 747,487	\$ 3,379,490
Investments			335,757		
Total Assets	<u>\$ 866,641</u>	<u>\$ 146,446</u>	<u>\$ 344,133</u>	<u>\$ 747,487</u>	<u>\$ 3,379,490</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 114,109	\$ 26,946	\$	\$ 256	\$
Capital Projects Fund					
Debt Service Fund			344,133		
Unreserved:					
General Fund	752,532				
Special Revenue Funds		119,500		747,231	3,379,490
Total Fund Balances	<u>\$ 866,641</u>	<u>\$ 146,446</u>	<u>\$ 344,133</u>	<u>\$ 747,487</u>	<u>\$ 3,379,490</u>

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

(Continued)

Public Properties Corporation Fund - Justice Center	Non- Major Governmental Funds	Total Governmental Funds
\$ 1,526,974	\$ 460,725	\$ 7,136,139
		335,757
<u>\$ 1,526,974</u>	<u>\$ 460,725</u>	<u>\$ 7,471,896</u>

\$ 1,526,974	\$ 32,661	\$ 173,972
		1,526,974
		344,133
		752,532
	428,064	4,674,285
<u>\$ 1,526,974</u>	<u>\$ 460,725</u>	<u>\$ 7,471,896</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets

Total Fund Balances	\$ 7,471,896
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital Assets Used in Governmental Activities are not Financial Resources	
And Therefore are not Reported in the Funds.	30,758,121
Accumulated Depreciation	(5,674,884)
Long-term Debt is not Due and Payable in the Current Period and, Therefore, is not Reported in the Funds.	
Bonded Debt	<u>(17,480,000)</u>
Net Assets Of Governmental Activities	<u>\$ 15,075,133</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LOGAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

LOGAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	General Fund	Road And Bridge Fund	Public Properties Corporation Fund-Detention Center	Occupational Tax/Net Profits Tax Fund
REVENUES				
Taxes	\$ 1,828,395	\$	\$	\$ 2,616,132
In Lieu Tax Payments	317,835			
Excess Fees	1,177,018			
Licenses and Permits	20,617			
Intergovernmental	632,285	1,918,584		
Charges for Services				
Miscellaneous	120,821	34,553	6,000	
Interest	457		13,276	1
Total Revenues	<u>4,097,428</u>	<u>1,953,137</u>	<u>19,276</u>	<u>2,616,133</u>
EXPENDITURES				
General Government	3,145,331			71,368
Protection to Persons and Property	543,541			
General Health and Sanitation	149,650			
Social Services				
Recreation and Culture	26,278			
Roads		2,232,160		
Airports				
Debt Service			384,668	
Capital Projects				
Administration	483,716	196,096	65,930	11,004
Total Expenditures	<u>4,348,516</u>	<u>2,428,256</u>	<u>450,598</u>	<u>82,372</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(251,088)</u>	<u>(475,119)</u>	<u>(431,322)</u>	<u>2,533,761</u>
Other Financing Sources (Uses)				
Refunding Bond Proceeds			3,835,000	
Bond Premium			6,598	
Payment to Refund Bonds - Escrow Agent			(3,835,000)	
Transfers from Other Funds	557,000	597,060	338,623	
Transfers to Other Funds	(137,000)			(2,379,500)
Total Other Financing Sources (Uses)	<u>420,000</u>	<u>597,060</u>	<u>345,221</u>	<u>(2,379,500)</u>
Net Change in Fund Balances	168,912	121,941	(86,101)	154,261
Fund Balances - Beginning	697,729	24,505	430,234	593,226
Fund Balances - Ending	<u>\$ 866,641</u>	<u>\$ 146,446</u>	<u>\$ 344,133</u>	<u>\$ 747,487</u>

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

(Continued)

Hospital Special Reserve Fund	Public Properties Corporation Fund - Justice Center	Non- Major Governmental Funds	Total Governmental Funds
\$	\$	\$ 370,073	\$ 4,814,600
			317,835
			1,177,018
		258,202	278,819
	1,074,974	754,410	4,380,253
		19,388	19,388
		107,952	269,326
33,194	1,956		48,884
<u>33,194</u>	<u>1,076,930</u>	<u>1,510,025</u>	<u>11,306,123</u>
		108,000	3,324,699
		1,830,064	2,373,605
		275,941	425,591
		15,900	15,900
		37,759	64,037
			2,232,160
		17,500	17,500
	1,072,974	17,493	1,475,135
	3,756,732		3,756,732
		529,420	1,286,166
	<u>4,829,706</u>	<u>2,832,077</u>	<u>14,971,525</u>
<u>33,194</u>	<u>(3,752,776)</u>	<u>(1,322,052)</u>	<u>(3,665,402)</u>
			3,835,000
			6,598
			(3,835,000)
137,000		1,749,791	3,379,474
(222,291)		(640,683)	(3,379,474)
<u>(85,291)</u>		<u>1,109,108</u>	<u>6,598</u>
(52,097)	(3,752,776)	(212,944)	(3,658,804)
3,431,587	5,279,750	673,669	11,130,700
<u>\$ 3,379,490</u>	<u>\$ 1,526,974</u>	<u>\$ 460,725</u>	<u>\$ 7,471,896</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**LOGAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2010

LOGAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (3,658,804)
Amounts Reported For Governmental Activities in the Statement of Activities are Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Is Allocated over Their Estimated Useful Lives and Reported as Depreciation Expense	
Book Value - Disposed Assets	(74,416)
Capital Outlay	5,531,895
Depreciation Expense	(833,854)
The Issuance of Long-term Debt (e.g. Bonds, Leases) Provides Current Financial Resources to Governmental Funds, While Repayment of Principal Financing Obligation Proceeds are Considered a Current Financial Resource to Governmental Funds While Financing Obligation Payments are Expensed in the Governmental Funds as a Use of Current Financial Resources. These Transactions, However, Have no Effect on net Assets	
First Mortgage Revenue Bond Proceeds	(3,835,000)
Payment to Bond Escrow Agent for Advanced Refunding	3,835,000
Financing Obligations Principal Payment	17,414
Bond Principal Payments	<u>685,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,667,235</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LOGAN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

LOGAN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

	Business-Type Activity Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 13,436
Total Current Assets	<u>13,436</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles	4,000
Equipment	12,727
Less: Accumulated Depreciation	<u>(12,063)</u>
Total Noncurrent Assets	<u>4,664</u>
Total Assets	<u>18,100</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	4,664
Unrestricted	<u>13,436</u>
Total Net Assets	<u><u>\$ 18,100</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LOGAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

LOGAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	Business-Type Activity Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 62,634
Other Receipts	2,078
Total Operating Revenues	<u>64,712</u>
Operating Expenses	
Cost of Sales	54,245
Educational and Recreational	4,480
Depreciation	2,415
Miscellaneous	3,300
Total Operating Expenses	<u>64,440</u>
Operating Income (Loss)	<u>272</u>
Nonoperating Revenues (Expenses)	
Gain(loss) on Disposal of Assets	(820)
Inmate Pay From State	2,922
Inmate Refunds on Accounts	<u>(2,922)</u>
Total Nonoperating Revenues (Expenses)	<u>(820)</u>
Change In Net Assets	(548)
Total Net Assets - Beginning	<u>18,648</u>
Total Net Assets - Ending	<u><u>\$ 18,100</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LOGAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

LOGAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	Business-Type Activity Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Cash Receipts From Customers	\$ 62,634
Cash Receipts From Other	2,078
Cash Payments To Vendors For Supplies	(54,245)
Cash Payments For Educational and Recreational	(4,480)
Cash Payments For Miscellaneous	(3,300)
Net Cash Provided (Used) by Operating Activities	<u>2,687</u>
Cash Flows From Noncapital Financing Activities	
Cash Receipts For Inmate Pay From State	2,922
Cash Payments For Inmate Refunds on Accounts	(2,922)
Net Cash Provided (Used) by Noncapital Financing Activities	<u></u>
Net Decrease in Cash and Cash Equivalents	2,687
Cash and Cash Equivalents - July 1, 2009	<u>10,749</u>
Cash and Cash Equivalents - June 30, 2010	<u><u>\$ 13,436</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 272
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities - Depreciation Expense	<u>2,415</u>
Net Cash Provided by Operating Activities	<u><u>\$ 2,687</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LOGAN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010

LOGAN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010

	<u>Agency Fund</u>
	Flex
	Spending
	Account
	<u> </u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 4,954
Total Assets	<u> 4,954</u>
Liabilities	
Amounts Held in Custody for Others	<u> 4,954</u>
Total Liabilities	<u> 4,954</u>
Net Assets	
Total Net Assets	<u><u> \$</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	41
NOTE 2.	DEPOSITS AND INVESTMENTS.....	48
NOTE 3.	CAPITAL ASSETS.....	49
NOTE 4.	LONG-TERM DEBT	51
NOTE 5.	EMPLOYEE RETIREMENT SYSTEM	53
NOTE 6.	DEFERRED COMPENSATION	53
NOTE 7.	INSURANCE	54
NOTE 8.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS.....	54
NOTE 9.	PRIOR PERIOD ADJUSTMENT	54
NOTE 10.	SUBSEQUENT EVENTS.....	54

**LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Logan County include the funds, agencies, boards, and entities for which the Fiscal Court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has one discretely presented component unit, the Logan County Tourist and Convention Commission (Commission). The Commission's financial statements have not been included in the County's financial statements, as they are considered immaterial.

Blended Component Units

Logan County Public Properties Corporation

The Logan County Fiscal Court appoints the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Properties Corporation is blended within Logan County's financial statements. All activities of the Public Properties Corporation are accounted for within a major (capital projects) fund and a major (debt service) fund.

LOGAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Logan County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Logan County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

Additional Logan County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions and; 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

LOGAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Occupational Tax/Net Profits Tax Fund - The primary purpose for this fund is the collection of occupational tax and net profit tax.

Hospital Special Reserve Fund - The primary purpose of this fund is to act as a reserve fund. This is the County's primary savings account.

Public Properties Corporation Fund - Justice Center – The purpose of this fund is to account for bond proceeds, capital construction costs, and debt service payments related to the Justice Center.

Public Properties Corporation Fund - Detention Center – The purpose is to account for the accumulation of resources for, and the payment of general long-term debt principal and interest related to the Detention Center and the Justice Center.

The primary government also has the following nonmajor funds: Jail Fund, Local Government Economic Assistance Fund, Solid Waste/Recycling Fund, Life Skills Revolving Loan Fund, and the 911 Fund, which are presented as Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds:

The Road and Bridge Fund, Jail Fund, Occupational Tax/Net Profits Tax Fund, Hospital Special Reserve Fund, Local Government Economic Assistance Fund, Solid Waste/Recycling Fund, Life Skills Revolving Loan Fund, and the 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Public Properties Corporation Fund - Detention Center is presented as a debt service fund. The debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest related to the Detention Center and the Justice Center.

Capital Projects Fund:

The Public Properties Corporation Fund - Justice Center is presented as a capital projects funds. Capital projects funds are to account for the financial resources to be used for the acquisition, construction, or renovation of major capital facilities.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Flex Spending Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Flex Spending Account - This fund accounts for funds received from employees, which are held until an employee is reimbursed for a reimbursable expense.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	20-25
Buildings	\$ 15,000	10-60
Building Improvements	\$ 25,000	10-60
Machinery and Equipment	\$ 1,000	3-25
Vehicles	\$ 1,000	3-12
Infrastructure	\$ 20,000	20-40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt payments and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent Fiscal Court's intended use of the resources and should reflect actual plans approved by the Fiscal Court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the Fiscal Court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities, however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations, Joint Ventures, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Logan County Fiscal Court: East Logan County Water District and North Logan County Water District. The Fiscal Court's accountability for these organizations, however, does not extend beyond making the appointments.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Logan County Fiscal Court: Joint City-County Planning Commission and Board of Adjustment (Planning Commission). Logan County Fiscal Court is a participant with the cities of Adairville, Auburn, Lewisburg, and Russellville. The Planning Commission is governed by an eleven-member board composed of five appointees from the Logan County Fiscal Court, three appointees from the City of Russellville and one appointee each from the cities of Adairville, Auburn, and Lewisburg. All participants are obligated to pay expenses not met by Federal and State funds on a pro rata basis.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that creates the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. The Logan County Fiscal Court (Fiscal Court), in conjunction with City of Russellville (City), has created the Russellville-Logan County Airport Board (Airport Board). The Airport Board is composed of three members each from the Fiscal Court and City. On September 23, 1997, the Fiscal Court and the City guaranteed repayment of loans in the amount of \$120,000 at an interest rate of 2% per annum. The loans are for a period of ten years for the purpose of constructing capital improvements.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 2. Deposits and Investments

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

As of June 30, 2010, the primary government had the following investments:

	<u>Fair Value (Cost)</u>	<u>Maturity</u>
Government Securities	<u>\$ 335,757</u>	9/9/2016

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments held in the possession of an outside party. Fiscal Court does not have an investment policy for custodial credit risk. As of June 30, 2010, the investments of the primary government were held by the County or County's agent in the County's name.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,992,893	\$ 7,375	\$	\$ 2,000,268
Construction in Progress	7,571,785	3,880,604		11,452,389
Total Capital Assets Not Being Depreciated	9,564,678	3,887,979		13,452,657
Capital Assets, Being Depreciated:				
Land Improvements		4,377		4,377
Buildings	6,775,337	137,533		6,912,870
Vehicles	1,095,700	68,079	(85,776)	1,078,003
Equipment	2,274,261	138,844	(278,754)	2,134,351
Infrastructure	5,880,780	1,295,083		7,175,863
Total Capital Assets Being Depreciated	16,026,078	1,643,916	(364,530)	17,305,464
Less Accumulated Depreciation for:				
Buildings	(2,436,271)	(157,361)		(2,593,632)
Vehicles	(564,931)	(85,070)	73,479	(576,522)
Equipment	(1,235,170)	(168,729)	216,635	(1,187,264)
Infrastructure	(894,772)	(422,694)		(1,317,466)
Total Accumulated Depreciation	(5,131,144)	(833,854)	290,114	(5,674,884)
Total Capital Assets, Being Depreciated, Net	10,894,934	810,062	(74,416)	11,630,580
Governmental Activities Capital Assets, Net	\$ 20,459,612	\$ 4,698,041	\$ (74,416)	\$ 25,083,237

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2010 was as follows: (Continued)

Primary Government: (Continued) <u>Business-Type Activities:</u>	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets, Being Depreciated:				
Vehicles	\$ 4,000	\$	\$	\$ 4,000
Equipment	13,727		(1,000)	12,727
Total Capital Assets Being Depreciated	17,727		(1,000)	16,727
Less Accumulated Depreciation for:				
Vehicles	(2,880)	(720)		(3,600)
Equipment	(6,948)	(1,695)	180	(8,463)
Total Accumulated Depreciation	(9,828)	(2,415)	180	(12,063)
Total Capital Assets, Being Depreciated, Net	7,899	(2,415)	(820)	4,664
Business-Type Activities Capital Assets, Net	<u>\$ 7,899</u>	<u>\$ (2,415)</u>	<u>\$ (820)</u>	<u>\$ 4,664</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 177,558
Protection to Persons and Property	137,161
General Health and Sanitation	27,364
Roads, Including Depreciation of General Infrastructure Assets	<u>491,771</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 833,854</u>
<u>Business-Type Activities</u>	
Jail Canteen	<u>2,415</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,415</u>

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Long-term Debt

A. Bonds

On September 1, 1998, Logan County Public Properties Corporation issued first mortgage revenue bonds to provide funding for the construction of the Logan County Jail. The total bond issue was in the amount of \$5,140,000, with interest rates varying between 4.30% and 5.1%. Interest is payable on March 1 and September 1 of each year. At the date of sale, there was \$24,726 in accrued interest that was remitted to the Public Properties Corporation along with the bond proceeds. On October 7, 1998 funds were transferred from the Construction Fund Account to the Debt Reserve Account in the amount of \$368,988. Annually \$19,741 is transferred from the Debt Reserve Account to the Sinking Fund Account to pay a portion of the interest. The bond issue provides for early redemption, with 30 days notice, on or after September 1, 2008. The principal balance was paid in full during the fiscal year. The bonds were refinanced with Logan County Public Properties Corporation First Mortgage Refunding Revenue Bonds, Series 2010 (Detention Facilities Project).

B. Bonds

On February 1, 2008, Logan County Public Properties Corporation issued first mortgage revenue bonds to provide funding for the construction of the Logan County Judicial Center. The total bond issue was in the amount of \$14,775,000, with interest rates varying between 2.50% and 4.25%. Interest is payable on February 1 and August 1 of each year. At the date of sale, there was \$4,479 in accrued interest that was remitted to the Public Properties Corporation along with the bond proceeds. Funding of the debt service is provided by a lease arrangement with the Commonwealth of Kentucky Administrative Office of the Courts. Bonds outstanding as of June 30, 2010 were \$13,645,000. Debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal Amount	Scheduled Interest
2011	\$ 560,000	\$ 509,224
2012	580,000	492,424
2013	595,000	475,024
2014	615,000	457,174
2015	630,000	438,723
2016-2020	3,490,000	1,864,945
2021-2025	4,215,000	1,141,395
2026-2028	2,960,000	251,139
Totals	<u>\$ 13,645,000</u>	<u>\$ 5,630,048</u>

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Long-term Debt (Continued)

C. Bonds (Continued)

On March 18, 2010, Logan County Public Properties Corporation issued first mortgage revenue bonds to refund the September 1, 1998 first mortgage revenue bonds. The total bond issue was in the amount of \$3,835,000, with interest rates of 3.62%. Interest is payable on March 1 and September 1 of each year. Bonds outstanding as of June 30, 2010 were \$3,835,000. Debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal Amount	Scheduled Interest
2011	\$ 210,000	\$ 114,306
2012	210,000	115,875
2013	215,000	111,625
2014	220,000	107,275
2015	225,000	102,825
2016-2020	1,235,000	413,538
2021-2025	1,520,000	157,000
Totals	<u>\$ 3,835,000</u>	<u>\$ 1,122,444</u>

D. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due in More Than One Year
Primary Government:						
<u>Governmental Activities:</u>						
General Obligation Bonds	\$ 3,970,000	\$ 3,835,000	\$3,970,000	\$ 3,835,000	\$ 210,000	3,625,000
Financing Obligations	17,414		17,414			
Mortgage Revenue Bonds	14,195,000		550,000	13,645,000	560,000	13,085,000
Governmental Activities						
Long-term Liabilities	<u>\$ 18,182,414</u>	<u>\$ 3,835,000</u>	<u>\$4,537,414</u>	<u>\$ 17,480,000</u>	<u>\$ 770,000</u>	<u>\$ 16,710,000</u>

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 6. Deferred Compensation

On June 13, 2000, the Logan County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 2010, Logan County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Interest on Long-Term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$734,671 in interest on bonds.

Note 9. Prior Period Adjustment

Net Asset Beginning Balance For Governmental Activities

	<u>Governmental Activities</u>
Net Assets Ending Balance Prior Year	\$ 13,452,538
Less:	
Capital Assets overstated in Prior year	<u>(44,640)</u>
Net Assets Beginning Balance - Restated	<u><u>\$ 13,407,898</u></u>

Note 10. Subsequent Events

The Fiscal Court has evaluated any subsequent events for recognition or disclosure through February 23, 2011, the date these financial statements were issued.

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2010

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,755,900	\$ 1,755,900	\$ 1,828,395	\$ 72,495
In Lieu Tax Payments	263,000	263,000	317,835	54,835
Licenses and Permits	25,483	25,483	20,617	(4,866)
Intergovernmental Revenue	1,802,266	1,966,567	1,809,303	(157,264)
Miscellaneous	29,000	43,529	120,821	77,292
Interest			457	457
Total Revenues	<u>3,875,649</u>	<u>4,054,479</u>	<u>4,097,428</u>	<u>42,949</u>
EXPENDITURES				
General Government	3,412,275	3,563,258	3,145,331	417,927
Protection to Persons and Property	654,504	729,072	543,541	185,531
General Health and Sanitation	125,300	149,650	149,650	
Recreation and Culture	245,000	245,000	26,278	218,722
Capital Projects	316,796	316,796		316,796
Administration	520,334	518,724	483,716	35,008
Total Expenditures	<u>5,274,209</u>	<u>5,522,500</u>	<u>4,348,516</u>	<u>1,173,984</u>
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	<u>(1,398,560)</u>	<u>(1,468,021)</u>	<u>(251,088)</u>	<u>1,216,933</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	700,695	700,695	557,000	(143,695)
Transfers to Other Funds			(137,000)	(137,000)
Total Other Financing Sources (Uses)	<u>700,695</u>	<u>700,695</u>	<u>420,000</u>	<u>(280,695)</u>
Net Changes in Fund Balances	(697,865)	(767,326)	168,912	936,238
Fund Balances - Beginning	<u>697,865</u>	<u>697,865</u>	<u>697,729</u>	<u>(136)</u>
Fund Balances - Ending	<u>\$</u>	<u>\$ (69,461)</u>	<u>\$ 866,641</u>	<u>\$ 936,102</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	ROAD AND BRIDGE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,547,217	\$ 1,802,988	\$ 1,918,584	\$ 115,596
Miscellaneous	8,100	8,100	34,553	26,453
Interest				
Total Revenues	<u>1,555,317</u>	<u>1,811,088</u>	<u>1,953,137</u>	<u>142,049</u>
EXPENDITURES				
General Government	400	400		400
Roads	1,883,029	2,461,345	2,232,160	229,185
Capital Projects	45,000	25,016		25,016
Administration	209,101	208,600	196,096	12,504
Total Expenditures	<u>2,137,530</u>	<u>2,695,361</u>	<u>2,428,256</u>	<u>267,105</u>
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	<u>(582,213)</u>	<u>(884,273)</u>	<u>(475,119)</u>	<u>409,154</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	<u>557,478</u>	<u>557,478</u>	<u>597,060</u>	<u>39,582</u>
Total Other Financing Sources (Uses)	<u>557,478</u>	<u>557,478</u>	<u>597,060</u>	<u>39,582</u>
Net Changes in Fund Balances	(24,735)	(326,795)	121,941	448,736
Fund Balances - Beginning	<u>24,735</u>	<u>24,735</u>	<u>24,505</u>	<u>(230)</u>
Fund Balances - Ending	<u>\$</u>	<u>\$ (302,060)</u>	<u>\$ 146,446</u>	<u>\$ 448,506</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

OCCUPATIONAL TAX/ NET PROFITS TAX FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,515,000	\$ 2,515,000	\$ 2,616,132	\$ 101,132
Interest			1	1
Total Revenues	<u>2,515,000</u>	<u>2,515,000</u>	<u>2,616,133</u>	<u>101,133</u>
EXPENDITURES				
General Government	98,008	99,258	71,368	27,890
Administration	133,132	94,909	11,004	83,905
Total Expenditures	<u>231,140</u>	<u>194,167</u>	<u>82,372</u>	<u>111,795</u>
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	<u>2,283,860</u>	<u>2,320,833</u>	<u>2,533,761</u>	<u>212,928</u>
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	<u>(2,872,936)</u>	<u>(2,872,936)</u>	<u>(2,379,500)</u>	<u>493,436</u>
Total Other Financing Sources (Uses)	<u>(2,872,936)</u>	<u>(2,872,936)</u>	<u>(2,379,500)</u>	<u>493,436</u>
Net Changes in Fund Balances	(589,076)	(552,103)	154,261	706,364
Fund Balances - Beginning	<u>589,076</u>	<u>589,076</u>	<u>593,226</u>	<u>4,150</u>
Fund Balances - Ending	<u>\$</u>	<u>\$ 36,973</u>	<u>\$ 747,487</u>	<u>\$ 710,514</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

HOSPITAL SPECIAL RESERVE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 32,000	\$ 32,000	\$ 33,194	\$ 1,194
Total Revenues	32,000	32,000	33,194	1,194
EXPENDITURES				
Administration	3,264,052	3,264,052		3,264,052
Total Expenditures	3,264,052	3,264,052		3,264,052
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	(3,232,052)	(3,232,052)	33,194	3,265,246
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	(200,000)	(200,000)	(222,291)	(22,291)
Transfers from Other Funds			137,000	137,000
Total Other Financing Sources (Uses)	(200,000)	(200,000)	(85,291)	114,709
Net Changes in Fund Balances	(3,432,052)	(3,432,052)	(52,097)	3,379,955
Fund Balances - Beginning	3,432,052	3,432,052	3,431,587	(465)
Fund Balances - Ending	\$	\$	\$ 3,379,490	\$ 3,379,490

**LOGAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2010

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

THIS PAGE LEFT BLANK INTENTIONALLY

LOGAN COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

LOGAN COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

	Local Government Economic Assistance Fund	Solid Waste/ Recycling Fund	Life Skills Revolving Loan Fund	911 Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,668	\$ 274,966	\$ 80,898	\$ 43,451
Total Assets	<u>\$ 1,668</u>	<u>\$ 274,966</u>	<u>\$ 80,898</u>	<u>\$ 43,451</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 602	\$ 3,496	\$	\$ 8,736
Debt Service Fund				
Unreserved:				
Special Revenue Funds	<u>1,066</u>	<u>271,470</u>	<u>80,898</u>	<u>34,715</u>
Total Fund Balances	<u>\$ 1,668</u>	<u>\$ 274,966</u>	<u>\$ 80,898</u>	<u>\$ 43,451</u>

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2010
(Continued)

Jail Fund	Total Non-Major Governmental Funds
<u>\$ 59,742</u>	<u>\$ 460,725</u>
<u><u>\$ 59,742</u></u>	<u><u>\$ 460,725</u></u>
\$ 19,827	\$ 32,661
<u>39,915</u>	<u>428,064</u>
<u><u>\$ 59,742</u></u>	<u><u>\$ 460,725</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LOGAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2010

LOGAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2010

	Local Government Economic Assistance Fund	Solid Waste/ Recycling Fund	Life Skills Revolving Loan Fund	911 Fund
REVENUES				
Taxes	\$	\$	\$	\$ 370,073
License and Permits		258,202		
Intergovernmental	75,353	71,198		20,877
Charges for Services				
Miscellaneous	530	62,590	9,600	94
Interest				
Total Revenues	<u>75,883</u>	<u>391,990</u>	<u>9,600</u>	<u>391,044</u>
EXPENDITURES				
General Government	108,000			
Protection to Persons and Property				506,286
General Health and Sanitation	46,605	229,336		
Social Services	15,900			
Recreation and Culture	37,759			
Airports	17,500			
Debt Service		17,493		
Administration	8,750	31,545		155,071
Total Expenditures	<u>234,514</u>	<u>278,374</u>	<u></u>	<u>661,357</u>
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	<u>(158,631)</u>	<u>113,616</u>	<u>9,600</u>	<u>(270,313)</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	154,000			236,791
Transfers to Other Funds		(302,060)		
Total Other Financing Sources (Uses)	<u>154,000</u>	<u>(302,060)</u>	<u></u>	<u>236,791</u>
Net Change in Fund Balances	(4,631)	(188,444)	9,600	(33,522)
Fund Balances - Beginning	6,299	463,410	71,298	76,973
Fund Balances - Ending	<u>\$ 1,668</u>	<u>\$ 274,966</u>	<u>\$ 80,898</u>	<u>\$ 43,451</u>

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2010
(Continued)

Jail Fund	Total Non-Major Governmental Funds
\$	\$ 370,073
	258,202
586,982	754,410
19,388	19,388
35,138	107,952
<u>641,508</u>	<u>1,510,025</u>
	108,000
1,323,778	1,830,064
	275,941
	15,900
	37,759
	17,500
	17,493
<u>334,054</u>	<u>529,420</u>
<u>1,657,832</u>	<u>2,832,077</u>
<u>(1,016,324)</u>	<u>(1,322,052)</u>
1,359,000	1,749,791
<u>(338,623)</u>	<u>(640,683)</u>
<u>1,020,377</u>	<u>1,109,108</u>
4,053	(212,944)
<u>55,689</u>	<u>673,669</u>
<u>\$ 59,742</u>	<u>\$ 460,725</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



The Honorable Logan Chick, Logan County Judge/Executive
Members of the Logan County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 23, 2011. Logan County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Logan County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Logan County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Logan County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Logan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

Kem, Duguid & Associates, P.C.

Kem, Duguid & Associates, PSC
Certified Public Accountants

February 23, 2011

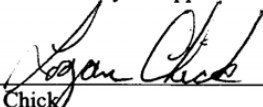
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

LOGAN COUNTY FISCAL COURT

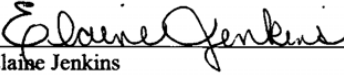
For The Fiscal Year Ended
June 30, 2010

CERTIFICATE OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
LOGAN COUNTY FISCAL COURT
For the Fiscal Year Ended June 30, 2010

The Logan County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Logan Chick
County Judge/Executive



Elaine Jenkins
County Treasurer

